

Military Reserve Technician Retirement / Insurance FAQs

Q1. Is a FERS Retiree Annuity Supplement payable immediately when a Military Reserve Technician (MRT) is involuntarily separated because he or she is non-retained from the military?

A1. Yes, as long as the FERS MRT:

- is age 50 with 25 years of service, or
- for those hired on / after February 10, 1996, are age 50 with 20 years of MRT service, or
- any age with 25 years of MRT service, and
- the involuntary separation is because of a loss of military membership (RIF not qualifying) and not of a voluntary nature such as a non-medical reason (weight gain).

The annuity commences on the day after separation and the supplement is payable immediately. The MRT does not have to wait until their Minimum Retirement Age (MRA) to receive the supplement.

Q2. When is the Social Security earnings test applied to the FERS Retiree Annuity Supplement?

A2. The FERS Retiree Annuity Supplement payable to MRTs who retire under the special provisions is not subject to the Social Security earnings test until the individual reaches their MRA.

Q3. A MRT loses military membership due to no fault of his own prior to reaching MRA as a result of a decision made by the selective retention board. Would the retirement be processed as a Discontinued Service Retirement (DSR) or under the special provisions for MRTs noted in Chapter 46 of the CSRS / FERS Handbook?

A3. If the MRT is involuntarily separated (not for RIF), the manner in which the retirement would be processed depends on the MRT's age and service at the time of separation.

The special retirement for MRTs is most beneficial because the FERS Retiree Annuity Supplement begins immediately. The age and service requirement for the supplement is age 50 with 25 years of MRT service for MRTs hired prior to February 10, 1996; for those MRTs hired on or after February 10, 1996, the age and service requirement is age 50 with 20 years of MRT service.

If the MRT does not meet the age and service requirement for the special retirement, they may be eligible for a special disability retirement if the involuntary separation is based on a medical condition.

Otherwise, the MRT would be eligible for DSR if age 50 with 20 years or any age with 25 years.

Note: MRTs first hired on or after February 10, 1996, may retire under the special provisions of Chapter 46, Section 46B4.1-2, at age 50 with 20 years of MRT service or any age with 25 years of MRT service.

Q4. When does the 10% TSP early withdrawal penalty occur? For example, if a MRT separates December 31, 2010, and turns age 55 in 2011, will the 10% early withdrawal penalty apply if the TSP money is withdrawn?

A4. The 10% early withdrawal penalty may apply to withdrawals in this situation because the MRT separated prior to age 55. The 10% penalty would not apply if the MRT separates in the year 2011 or later.

Note: The Pension Protection Act of 2006 excludes some MRTs from the 10% tax penalty. Under this Act, the 10% tax penalty does not apply to Reservists called to duty for more than 179 days and activated after September 11, 2001, but before December 31, 2007. The individual must have received the distribution from TSP during the period beginning on the date of the order or call and ending at the close of the active duty period. Internal Revenue Service regulations allow other exceptions to the 10% penalty tax; for example, if the TSP funds are paid as equal payments over the individual's life expectancy, or the individual has the TSP board purchase an annuity with the funds, the 10% tax penalty is not applicable. For additional exceptions, see the Tax Notice section, "Important Tax Information About Payments From Your TSP Account," located on the TSP web site, www.tsp.gov.

Q5. Is being called to active duty a Qualifying Life Event (QLE) for the purposes of canceling the Federal Employees Dental and Vision Insurance Program (FEDVIP) coverage?

A5. No, this would not be a QLE to cancel FEDVIP coverage. During periods of leave without pay, BENEFEDS (www.BENEFEDS.com) will bill the employee directly. The employee must pay the premium from post-tax money directly to BENEFEDS. If payments are not made, the coverage will terminate. The MRT may reenroll upon return to a pay status following active military duty.

Q6. When a MRT is on active duty, what is considered primary coverage...FEHB or TRICARE? Who is primary for the family members?

A6. Based on OPM guidance and TRICARE instructions, a claim must first be filed with the MRTs FEHB carrier before TRICARE pays. TRICARE is the MRTs secondary coverage. The FEHB is primary for both the MRT and family members.

Q7. Can a MRT contribute more into their uniformed services TSP account when called to active duty if serving overseas?

A7. The MRT may contribute up to the Internal Revenue Service annual elective deferral limit (e.g., \$16,500 in 2011). The tax-exempt contributions (i.e., from pay earned in a combat zone) do not count against this limit, but do count against the IRC 415 (c) limit (\$49,000 in 2011). For additional information and expert guidance, contact the uniformed services personnel or visit www.tsp.gov.

MRTs may, upon exercising their restoration rights, make up any missed civilian TSP contributions. The make up contribution is offset (reduced) by the amount of any military contributions made to a uniformed services TSP account, although individuals covered by the Federal Employee's Retirement System will receive the government contribution as well as a government match on amounts contributed to the uniformed services TSP. See TSP Bulletin 2002-07.